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FOR THE SECRETARY FROM THE AMBASSADOR

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SUBJECT: SCENESETTER FOR THE SECRETARY'S JUNE 9 MEETING  
WITH MONGOLIAN FM BATBOLD

Classified By: Ambassador Mark C. Minton, Reasons 1.4 (b) and (d)

¶1. (C) Madame Secretary: The briefing materials I have seen for your meeting do an excellent job of setting forth the specific issues that Foreign Minister Batbold will wish to discuss with you. I would just like to add some larger strategic considerations to provide background and context for those discussions. Batbold is a rising star of the majority party who has excellent relations with Prime Minister Bayar, of the same party, and President-elect Elbegdorj, the former opposition party leader who was elected last month and will take office June 18. Batbold speaks excellent English and is a good listener.

¶2. (C) The government of Mongolia has responded to the challenge of being landlocked between central and northeast Asia by prioritizing a "Third Neighbor" policy through which the Mongolians have reached out to key partners beyond their borders, most notably the United States, Europe, Japan, Korea, Canada, and others. This strategy includes robust engagement in the international system and participation in regional and international fora. The dividend Mongolia receives from this approach is a margin of political breathing room to relieve the intense pressures on a nation wedged between Russia and China. Minister Batbold is likely to refer to our unofficial status as Mongolia's Third Neighbor.

¶3. (C) Mongolia's Third Neighbor policy and its embrace of the international system have encouraged the emergence of a uniquely Mongolian form of democratic governance and a thriving market economy. Mongolian democracy is an extraordinary success story when put into historical context: a mere twenty years ago, Mongolia was a virtual vassal of the Soviet Union.

¶4. (C) The outcome of the May 24 presidential election was a major step in the burnishing of Mongolia's democratic credentials. For the first time in history, an incumbent Mongolian president lost a bid for reelection. The loss was not followed by accusations of fraud or bad faith, but rather by a peaceful transfer of power characterized by the timely and gracious concession of President Enkhbayar. The victor, President-elect Elbegdorj, will take office on June 18. In my meeting with Elbegdorj on June 3, he spoke of close cooperation with Minister Batbold in advance of the latter's travel to Washington, regardless of the fact that they hail from different political parties.

¶5. (C) The recent Russian veto of the MCC rail project in Mongolia is a salient example of the pressure Mongolia faces. Minister Batbold will bring up his hope to channel the \$188 million from the rail project into other MCC projects in Mongolia. I strongly support such reprogramming not only for the benefit it will bring to Mongolia but also to demonstrate to Russia that our engagement with Mongolia continues apace. As you know, the reprogramming of Mongolia MCC funds will be discussed at the MCC Board meeting you will chair on June 10, the day after your meeting with Batbold.

¶6. (C) China and Russia are equally interested in securing shares of Mongolia's vast coal, copper, gold, uranium, and other mineral resources. (This was the heavy focus of Putin's visit here in May, and Medvedev is coming in August.)

We should underscore with Batbold the advantages U.S. firms (such as Peabody Coal) would bring to Mongolia in terms of commercial transparency, environmental protection, and technological superiority.

¶7. (C) Batbold will likely mention his government's initiative to deploy 300 troops to Afghanistan, recent progress toward a Transparency Agreement, and President-elect Elbegdorj's request for a high-level U.S. delegation to be present at his inauguration on June 18.

¶8. (C) Needless to say, I know the Mongolians very much hope you will be able to make a return visit to Mongolia in the near future. They remember your trip here as First Lady with gratitude and took appreciative note of your reference to that visit in your remarks before the Asia Society in New York just before your first trip to the region as Secretary earlier this year.

MINTON